

# Are Noisy Reviews Helpful in Social Learning?

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**Abstract**—Social learning encompasses situations in which agents attempt to learn from observing the actions of other agents. It is well known that in some cases this can lead to *information cascades* in which agents blindly follow the actions of others, even though this may not be optimal. Having agents provide reviews in addition to their actions provides one possible way to avoid “bad cascades.” In this paper, we study one such model where agents sequentially decide whether or not to purchase a good, whose true value is either good or bad. If they purchase the good, agents also leave a review, which may be noisy. Conditioning on the underlying state of the world, we study the impact of such reviews on the asymptotic properties of cascades. For a good underlying state, using Markov analysis we show that depending on the noise level, reviews may in fact increase the probability of a wrong cascade. On the other hand, for a bad underlying state, we use martingale analysis to bound the tail-probability of the time until a correct cascade happens.

## I. INTRODUCTION

People often seek to learn from observing others when faced with new decisions. On-line platforms facilitate acquiring such information at a much greater scale than was previously possible. A basic question is then to understand how such information facilitates learning. One common approach for studying such questions is as a game among Bayesian agents. These agents sequentially make a binary decisions given their own private information as well as observations of the decisions of previous agents. A key result, first shown in [2] and [3], is that in such models *herding* or an *information cascade* can occur in which from some point onward all agents ignore their private information and follow the actions of the previous agents. Though individually optimal, this may result in the agents making a choice that is not socially optimal.

One reason for incorrect herding is that agents observe the actions of other agents *before* the other agents receive their pay-off, and so these actions reflect the agents’ estimates of the true pay-off and not the true pay-off itself. Indeed, if agents instead were able to see the true pay-off obtained by others, then as shown in [9] there would never be an incorrect cascade in which agents buy a bad product. The use of reviews and on-line recommendation systems can be viewed as an attempt to provide other agents with this information. However, due for example to user errors, such reviews may only be a noisy representation of this information (instead of the true pay-off as in [9]). Studying social learning in the presence of such noisy reviews is the objective of this paper. More precisely, we consider a variation of the model in [2], [3], where agents have the option to either buy or not buy a given item, whose true value is one of two binary states (good or bad). In addition to

the actions of the previous agents, agents also see a history of reviews before making their decisions. However, these reviews are not a perfect indication of the true state of the good due to two effects: first, as we have already mentioned, these reviews are noisy and second, agents can only leave a review if they buy the good and so no additional information is given for agents that choose not to buy.<sup>1</sup>

Adding reviews is a way of changing the information structure in [2], [3]. There have been a variety of other papers that considered other changes in this structure such as changing the underlying network structure among the agents, e.g. [8], or changing the signal structure, e.g. [6]. In prior work ([10], [11]), we considered a variation of the information structure, where agent’s observed noisy observation of the *actions* of others. This led to the following counter-intuitive result: the probability of incorrect herding is non-monotonic in the noise level. In other words, in some cases, more noise is actually beneficial. In this paper, we again seek to study how variations in noise level effect the agents’ behavior. However, here, agents perfectly observe the actions of previous agents and the only noise is in the reviews. Additionally, since only agents who buy the good can submit reviews, this leads to an asymmetry in the model that was not present in [10], [11]).

The asymmetry in reviewing leads to an asymmetry in the resulting user behavior depending on the underlying state of the product. There is still the possibility of an incorrect cascade when the product is “good”. This is because once agents stop buying, no further reviews are generated and so there is no new information to stop a cascade. However, when the product is “bad” an incorrect cascade can not persist; eventually enough negative reviews will be generated to stop it. We analyze these two cases separately. Conditioned on the state of the product being good, we study the probability of an incorrect cascade and show that if reviews are too noisy, they actually lead to a higher probability of this occurring. Conditioned on the state being bad, we instead focus on the time until a correct cascade occurs and give a tail bound on this probability that illustrates the impact of review quality.

Another strand of related work is the literature on “word-of-mouth” learning (e.g. [4], [5], [7]) in which agents can communicate information about payoff of past actions. However, these models consider different settings (e.g. naive rule-of-thumb decision-based, random sampling of population); while

<sup>1</sup>For example, many on-line platform such as Amazon.com indicate *verified purchase reviews*; in our model only such reviews are considered.

our paper assume that fully-rational agents can observe all past actions and reviews.

This remainder of the paper is organized as follows. In Section II we specify our model. The main results are presented in sections III and IV for the case where the value of product is “good” and “bad,” respectively. We conclude in Section V.

## II. MODEL

We consider a model similar to [2] in which there is a countable population of agents, indexed  $n = 1, 2, \dots$  with the index reflecting the time and order of actions of the agents. Each agent  $n$  has an action choice  $A_n$  of saying either Yes ( $Y$ ) or No ( $N$ ) to a new item. The true value ( $V$ ) of the item can be either 0 (bad) or 1 (good); both possibilities are assumed to be equally likely. To reflect the agents’ prior knowledge about the true value of the item, we assume that each agent  $n$  receives a private signal  $S_n \in \{H \text{ (High)}, L \text{ (Low)}\}$ . For each agent  $n$  who chooses  $A_n = N$ , he does not submit a review. However, if  $A_n = Y$  then agent  $n$  submits a review  $R_n \in \{G \text{ (Good)}, B \text{ (Bad)}\}$  representing his experience with the item after purchasing. Assume the probability that a private signal (resp. a review) aligns with  $V$  is  $p \in (0.5, 1)$  (resp.  $\delta \in [0.5, 1]$ ). That is:

$$\mathbb{P}[S_n = H|V = 0] = \mathbb{P}[S_n = L|V = 1] = 1 - p,$$

$$\mathbb{P}[S_n = H|V = 1] = \mathbb{P}[S_n = L|V = 0] = p, \text{ and if } A_n = Y,$$

$$\mathbb{P}[R_n = G|V = 1] = \mathbb{P}[R_n = B|V = 0] = \delta,$$

$$\mathbb{P}[R_n = G|V = 0] = \mathbb{P}[R_n = B|V = 1] = 1 - \delta.$$

We consider a homogeneous population where conditioned on  $V$ , the private signals and reviews are i.i.d. across all agents. Since  $p \in (0.5, 1)$ , the private signals are informative, but not revealing; we call  $p$  the *signal quality*. On the other hand,  $\delta$  denotes the *review’s strength* which is independent of the signal.<sup>2</sup>

We assume that each agent takes his one-time action in exogenous order where the actions and reviews history is public information to subsequent agents. The agents are Bayes-rational whose decisions are based own private signals and public information. Each agent  $n$  updates his posterior belief about the true value  $V$  using his private signal  $S_n$ , the actions  $A_1, \dots, A_{n-1}$ , and the reviews  $R_m$  whenever  $A_m = Y$  for  $m = 1, \dots, n - 1$ .<sup>3</sup>

### A. Public likelihood ratio as a Markov process

Let  $\mathcal{R}_n = R_n$  when  $A_n = Y$  and  $\mathcal{R}_n = *$  when  $A_n = N$ . Then the public history *after* agent  $n$  decides is written as  $H_n = \{A_1, \mathcal{R}_1, \dots, A_n, \mathcal{R}_n\}$ . Agents’ decisions are based on calculations of the posterior probability of  $V = 0$  versus  $V = 1$  given the observed history  $H_n$ . However, due to the independence of signals from history, agent  $n + 1$  can instead compare the public likelihood ratio,  $\ell_n$ , and his private belief

$\beta_{n+1}$ , of  $V = 0$  versus  $V = 1$ . Using Bayes’ rule and  $V$  being  $\{0, 1\}$  equally likely, we can rewrite  $\ell_n$  in its alternate form:

$$\ell_n = \frac{\mathbb{P}[H_n|V = 0]}{\mathbb{P}[H_n|V = 1]}, \text{ and } \beta_{n+1} = \frac{\mathbb{P}[S_{n+1}|V = 0]}{\mathbb{P}[S_{n+1}|V = 1]} \quad (1)$$

Since  $V$  is equally likely 1 or 0,  $\ell_0 = 1$ . The higher  $\ell_n$  is, the more likely  $H_n$  is indicating  $V = 0$ . Moreover, since  $H_n$  is public information, for both true values  $\ell_n$  can be updated as:

- If agent  $n$  follows his own signal then:

$$\ell_n = \begin{cases} \frac{p}{1-p} \ell_{n-1}, & \text{if } A_n = N \\ \frac{1-p}{p} \frac{1-\delta}{\delta} \ell_{n-1}, & \text{if } A_n = Y, \mathcal{R}_n = G \\ \frac{1-p}{p} \frac{\delta}{1-\delta} \ell_{n-1}, & \text{if } A_n = Y, \mathcal{R}_n = B \end{cases} \quad (2)$$

- Otherwise, if agent  $n$  cascades then:

$$\ell_n = \begin{cases} \ell_{n-1}, & \text{if } A_n = N \\ \frac{1-\delta}{\delta} \ell_{n-1}, & \text{if } A_n = Y, \mathcal{R}_n = G \\ \frac{\delta}{1-\delta} \ell_{n-1}, & \text{if } A_n = Y, \mathcal{R}_n = B \end{cases} \quad (3)$$

Thus, given  $H_n$ ,  $\{\ell_n\}$  is a Markov process. Moreover, this is also true if in addition we condition on each value of  $V$ .<sup>5</sup> On the other hand,  $\beta_{n+1} = (1 - p)/p$  (resp.  $p/(1 - p)$ ) if  $S_{n+1} = H$  (resp.  $S_{n+1} = L$ ).

### B. Agents’ decision rule and cascades’ condition

By (2) and (3),  $\ell_n = \left(\frac{1-p}{p}\right)^{a_n} \left(\frac{1-\delta}{\delta}\right)^{r_n}$ , where  $a_n$  and  $r_n$  are non-negative integer random variables denoting the two differences in actions ( $\#Y - \#N$ ) and reviews ( $\#G - \#B$ ), respectively (excluding the actions caused by both types of cascades, and the reviews not available in particular for  $N$  cascade). For convenience, define  $x = \log_{\frac{\delta}{1-\delta}} \frac{p}{1-p} \in [0, \infty]$  as the indicator of how strong the reviews are with respect to signals. In other words, the lower  $x$  is, the stronger the reviews are relatively to the signals. We can rewrite  $\ell_n = \left(\frac{1-p}{p}\right)^{h_n}$  where the exponent  $h_n = a_n + \frac{1}{x} r_n$ . Since agent  $n + 1$  makes his decision by comparing  $\ell_n$  to  $\beta_{n+1}$ , agent  $n + 1$  cascades  $Y$  if  $h_n > 1$ , cascades  $N$  if  $h_n < -1$ , and follows his signal if  $h_n \in [-1, 1]$ .

### C. Asymmetry under different types of cascade and product’s quality

This model exhibits asymmetric behaviors with respect both to the types of cascades  $Y$  and  $N$ , and to the true value  $V$  of the item. In particular, the arrival of new information (reviews) depends on the action chosen by each agent.

1) *Y versus N cascades:* If agent  $n$  faces  $h_{n-1} > 1$ , he chooses  $A_n = Y$  regardless of his signal and thus initiates a  $Y$  cascade. A  $Y$  cascade does not last forever, unless the reviews are of perfect quality ( $\delta = 1$ ). For example, if  $\mathcal{R}_n = B$ , then  $h_n = h_{n-1} - \frac{1}{x}$  could be below 1, which induces agent  $n + 1$  to use his own signal. Further more, if  $x$  is sufficiently small then  $h_n < -1$ , and agent  $n + 1$  initiates a  $N$  cascade. The dynamics of a  $Y$  cascade, once it gets started, are determined

<sup>2</sup>The motivation being, while signal quality reflects product’s marketing efficiency, the review strength is a consequence of product reliability from manufacturing aspect.

<sup>3</sup>For simplicity, we assume indifferent agents follow their signals.

<sup>5</sup>This is an extension of results from [6].

solely by the reviews process (and it does not depend on the signals). Regardless of the time a  $Y$  cascade was initiated, it can be broken by a sufficiently long sequence of bad reviews. Thus, the history process  $\{H_n\}$  could include sample paths where  $Y$  cascades starts and stops infinitely often.

On the other hand, once  $h_n < -1$ , a  $N$  cascade starts and lasts forever. This is due to agents who choose  $N$  not generating reviews; thus the likelihood ratio stays constant as soon as any agent cascades to  $N$ . Subsequent agents who have the same signal strength are left in the same state as the one who initiated the cascade; thus have the same action choice.

2) *Good versus bad product*: For  $V = 1$ , wrong cascade happens with positive probability. For example, if the first two agents have  $L$  signals, they both choose  $N$ ; therefore no review is collected. As a result, all subsequent agents are drawn into a  $N$  cascade, which is irreversible. This possibility cannot be avoided by adjusting the reviews strength,  $\delta$ , even to perfect quality. In case the reviews are perfect, we would still need a non-cascading agent who has a  $H$  signal for his review to take effect. In addition, for  $V = 1$ , it is highly likely that there is an abundance of new information. If an agent  $n$  choose  $Y$ , one review  $\mathcal{R}_n$  is added to the common database. Since reviews are independent of signal, when  $V = 1$  more agents choose  $Y$  and new information begets further new information.

In other words, when  $V = 1$  the underlying Markov process have a drift toward the correct cascade, but there is no absorbing state on that side since  $h_n$  is unbounded above. However, multiple absorbing states for wrong cascade might exist. For  $V = 1$ , the quantity of interest is the probability of wrong ( $N$ ) cascade which is a function of both  $p$  and  $\delta$ . One would expect the time until correct cascade to be infinite by considering the drift of the underlying Markov process. We will discuss this scenario in section III.

On the other hand, when  $V = 0$ , this model exhibits a different set of behaviors. Wrong cascade can never happen. The reason is as more agents purchase the item, more and more reviews are collected. Since reviews are informative, subsequent agents can track the difference in the number of reviews to learn the true value of  $V$  eventually. In other words, while there are only trapping states for correct cascade, the drift also leans toward this side. Thus, correct cascade happens with probability 1. In this scenario, we are interested in the distribution of the time (i.e. the number of agents) until correct cascade happens. This will be studied in section VI.

### III. PROBABILITY OF WRONG CASCADE FOR $V = 1$

In previous section, we discussed that wrong ( $N$ ) cascade could happen if the product is good. In this section, we determine the probability of this happening. Let  $q = 1 - p$ . For a fixed  $p$ , as  $x$  varies the conditions on  $a_n$  and  $r_n$  when cascades happen also changes. We denote these two random variables as two coordinates of a 2-D Markov Chains (MCs). As a result, the underlying MCs have different structures (both on states space and transition probabilities). Despite the complexity of this dynamics for a generic value of  $x$ , interesting and non-intuitive insights can be drawn by looking

at special values of  $x$ . Proposition 1 shows that adding reviews with strength equal or even double the signal quality strictly increases the probability of wrong cascades.

**Proposition 1.** 1) Having reviews twice as strong as signals (i.e.  $x = 1/2$ ) gives the same probability of wrong cascade as having review as strong as signal (i.e.  $x = 1$ ), and

2) Both cases give higher probability of wrong cascade as compared to when having no review.

**Proof.** 1) The probabilities of wrong cascade can be calculated using Markov chain analysis. The corresponding MCs are shown in Fig. 1 and 2, where the states denote  $h_n$ . For  $x = 1$  (see Fig. 1), let  $b_i$  be the asymptotic wrong cascade probability starting from state  $i$ . We solve for  $b_0$  using the following system of linear equations:

$$b_{-1} = pqb_{-1} + p^2b_1 + q; \quad b_0 = qb_{-1} + pqb_0 + p^2b_2; \\ b_1 = qb_0 + pqb_1 + p^2b_3; \quad b_2 = (q/p)b_1; \quad b_3 = (q/p)^2b_1$$

which gives  $b_0 = (q/p)^2$ . For  $x = 1/2$  (see Fig. 2), let  $c_i$  be the asymptotic wrong cascade probability starting from state  $i$ . We solve for  $c_0$  using the following system of linear equations:

$$c_{-1} = p\delta c_2 + (1 - p\delta); \quad c_0 = (1 - p\delta)c_{-1} + p\delta c_3; \\ c_1 = (1 - p\delta)c_0 + p\delta c_4; \quad c_2 = ((1 - \delta)/\delta)c_0 = (\delta/(1 - \delta))c_4; \\ c_3 = ((1 - \delta)/\delta)c_1, \quad \text{where } \delta/(1 - \delta) = (p/q)^2$$

which gives  $c_0 = (q/p)^2 = b_0$

2) When there is no reviews, result from [2] gives  $\mathbb{P}[\text{wrong}] = \frac{(q/p)^2}{(q/p)^2 + 1} < (q/p)^2$ .  $\square$

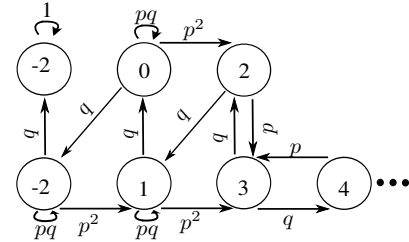


Figure 1: States transitions for  $V = 1$ , and  $x = 1$ .

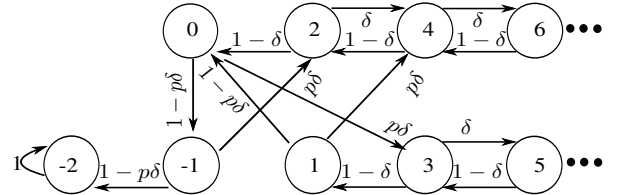


Figure 2: States transitions for  $V = 1$ , and  $x = 1/2$ .

Proposition 1 suggests that one should look at regions where reviews are even stronger. Unfortunately, Proposition 2 shows that except for the reviews having perfect strength, one cannot guarantee a better performance with reviews for all values of  $p \in (0.5, 1)$ .

**Proposition 2.** Assume  $0 < x < 1/3$  (i.e. reviews are more than triple the signals' quality):

- 1)  $\mathbb{P}[\text{wrong}]$  decreases in the review quality,  $\delta$ , and
- 2) At  $x = 0$  (i.e. perfect reviews),  $\mathbb{P}[\text{wrong}] = q^2$ , which is lower than that for having no review.
- 3) For  $x$  bounded away from 0, there exists a threshold  $p_0 \in (0.5, 0.75)$  such that for signal quality with  $p < p_0$ , we are better off having no reviews.

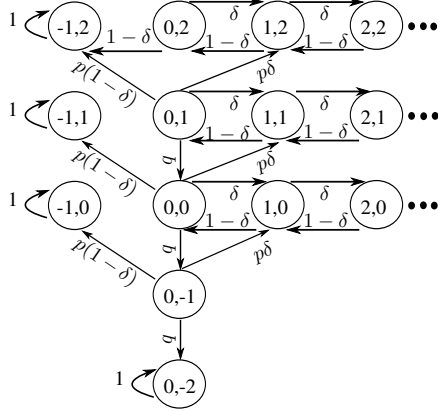
**Proof.** 1) For  $0 < x < 1/3$ , the underlying MC have has the form in Fig. 3, where the first and second coordinates denote  $r_n$  and  $a_n$ , respectively. Let  $d_{i,j}$  be the asymptotic wrong cascade probability starting from state  $(i, j)$ . We solve for  $d_{0,0}$  the following system of linear equations:

$$\begin{aligned} d_{0,-1} &= p\delta d_{1,0} + p(1-\delta) + q; \quad d_{1,1} = ((1-\delta)/\delta) d_{0,1} \\ d_{0,1} &= qd_{0,0} + p\delta d_{1,2} + p(1-\delta); \quad d_{1,2} = ((1-\delta)/\delta)^2 \\ d_{0,0} &= qd_{0,-1} + p\delta d_{1,1} + p(1-\delta); \quad d_{0,2} = ((1-\delta)/\delta); \end{aligned}$$

which gives

$$d_{0,0} = [1 - p(2\delta - 2p\delta + 2p - p/\delta)] / [1 - 2pq(1-\delta)]$$

which is decreasing in  $\delta$ .



**Figure 3:** States transitions for  $V = 1$ , and  $x < \frac{1}{3}$ .

- 2) For perfect reviews, wrong cascade happens if and only if the first two agents have  $L$  signals, which happens with probability  $q^2 < [(q/p)^2] / [(q/p)^2 + 1]$ .
- 3)  $p_0$  is the solution to:

$$d_{0,0} = [(q/p)^2] / [(q/p)^2 + 1] \quad (4)$$

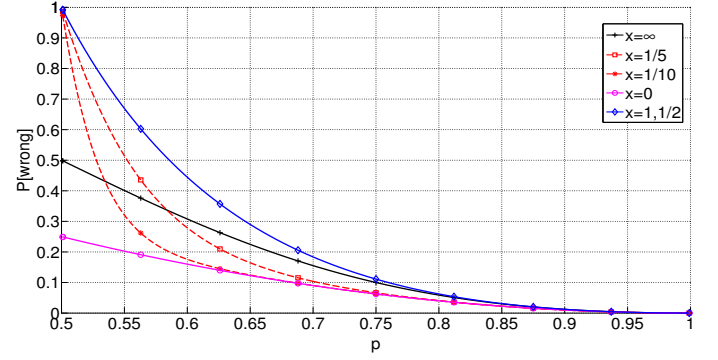
First, we will show the existence of  $p_0$  in  $(0.5, 0.75)$ . In fact, (4) is equivalent to:

$$\begin{aligned} f(p) &\triangleq p^3 [6\delta + (2/\delta) - 6] + p^2 [-14\delta - (2/\delta) + 10] \\ &+ p [12\delta + (1/\delta) - 7] + (2 - 4\delta) = 0 \end{aligned} \quad (5)$$

Note that  $f(p)$  is continuous in  $p$ . Easily check that for any  $\delta \in [0.5, 1]$ ,  $f(0.5) > 0$  and  $f(0.75) < 0$ . Thus, by the Mean Value Theorem there exists a root  $p_0 \in (0.5, 0.75)$ .

Now we show that  $p_0$  is the only root of  $f(p)$  in  $(0.5, 1)$ . Since  $f(0) \leq 0$ ,  $f(p)$  has another root  $p_1 \in [0, 0.5]$ . Moreover,  $p = 1$  is another root of  $f(p)$  (note that at  $p = 1$ ,  $\delta = 1$ ). In addition, since  $f(p)$  is a cubic polynomial in  $p$  with positive highest order coefficient, we conclude that for  $0.5 < p < p_0$ ,

$f(p) > 0 \Rightarrow LHS(8) > RHS(8)$ ; and for  $p_0 < p < 1$ ,  $f(p) < 0 \Rightarrow LHS(8) < RHS(8)$ .  $\square$



**Figure 4:** Wrong herding probability,  $V = 1$ .

Fig. 4 illustrates both Propositions 1 and 2. For all cases, the probability of wrong cascade decreases in signal quality  $p$ . Moreover, except for reviews with perfect accuracy, one would prefer having no reviews for low signal quality as  $p \rightarrow 0.5$ .

#### IV. TIME UNTIL CORRECT CASCADE FOR $V = 0$

In section II, we argue that for a bad product, only correct ( $N$ ) cascade can happen, from which it lasts forever. In this section, we examine the distribution of the time until correct cascade by determining its tail exponent. In the following let  $n \geq 0$ . Conditioned on  $V = i$ , let  $\{\mathcal{F}_n^i\}$  be the sequence of sigma-algebras generated by  $\{H_n\}$ . Similar to models in [6] and [8] where reviews do not exist, in our model the Markov process  $\{\ell_n\}$  also exhibits the martingale property as presented in the following lemma:

**Lemma 1.**  $\{1/\ell_n\}$  (resp.  $\{\ell_n\}$ ) is a martingale process conditioned on  $V = 0$  (resp.  $V = 1$ ) adapted to the filtration  $\{\mathcal{F}_n^0\}$  (resp.  $\{\mathcal{F}_n^1\}$ )

**Proof.** Given  $\ell_1, \dots, \ell_n$  and  $p, \delta$  as common knowledge, subsequent agents know agent  $n+1$  decision rule. If agent  $n+1$  follows an  $N$  cascade,  $\ell_{n+1} = \ell_n$  thus the martingale property follows naturally. Otherwise, for  $V = 0$ , if agent  $n+1$  follows his own signal then:

$$\begin{aligned} \mathbb{E}[1/\ell_{n+1} | \mathcal{F}_n^0] &= \mathbb{P}[A_{n+1} = N | V = 0] [(1-p)/p] / \ell_n \\ &+ \mathbb{P}[A_{n+1} = Y, R_{n+1} = G | V = 0] [p/(1-p)] [\delta/(1-\delta)] / \ell_n \\ &+ \mathbb{P}[A_{n+1} = Y, R_{n+1} = B | V = 0] [p/(1-p)] [(1-\delta)/\delta] / \ell_n \\ &= 1/\ell_n. \end{aligned} \quad (6)$$

Similarly if agent  $n+1$  cascades to  $Y$  when  $V = 0$  then:

$$\mathbb{E}[1/\ell_{n+1} | \mathcal{F}_n^0] = \delta/\ell_n + (1-\delta)/\ell_n = 1/\ell_n. \quad (7)$$

From (6), (7), it follows that  $\{1/\ell_n\}$  is a martingale for  $V = 0$ . For  $V = 1$ , similar method shows that  $\{\ell_n\}$  is a martingale.  $\square$

Using lemma 1 and techniques from [1], we would like to use the martingale property to bound the tail probability of the time until correct cascade. This can also be used to give

a bound on the expected time until correct cascade. Let  $X$  and  $Y$  be two random variables representing the increments  $\Delta h_n = h_{n+1} - h_n$  for  $h_n$  in  $[-1, 1]$  and  $h_n > 1$ , respectively. Let  $f_1(\lambda)$  and  $f_2(\lambda)$  be their corresponding moment generating functions (MGFs), where  $\lambda$  is a real variable. Let  $\rho = \max(f_1(\lambda), f_2(\lambda))$  and define the random process  $\{M_n\} = \left\{ \frac{e^{\lambda h_n}}{\rho^n} \right\}$ . We have:

**Lemma 2.**  $\{M_n\}$  is a super-martingale adapted to  $\{\mathcal{F}_n^0\}$ .

**Proof.**

$$\begin{aligned} \frac{\mathbb{E}[M_{n+1} | \mathcal{F}_n^0]}{M_n} &= \frac{\mathbb{E}[e^{\lambda h_{n+1}} / \rho^{n+1} | \mathcal{F}_n^0]}{e^{\lambda h_n} / \rho^n} = \frac{\mathbb{E}[e^{\lambda \Delta h_n}]}{\rho} \\ &\leq \frac{\max(\mathbb{E}[e^{\lambda X}], \mathbb{E}[e^{\lambda Y}])}{\rho} = 1 \end{aligned}$$

□

Let  $\tau = \min\{n \geq 0 : h_n < -1\}$  be the stopping time when  $N$  cascade happens. Now we use Lemma 2 to give an upper-bound on the tail-probability of  $\tau$  in the following proposition.

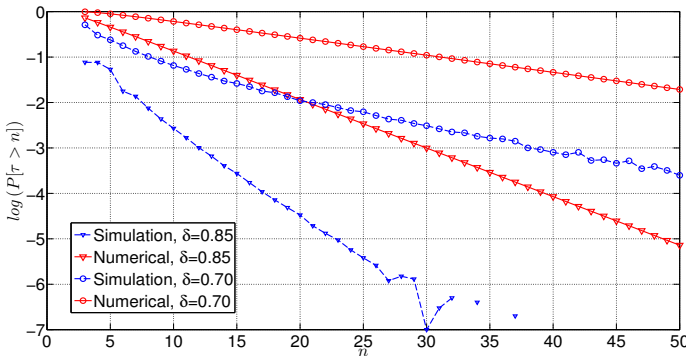
**Proposition 3.**  $\mathbb{P}[\tau > n] \leq e^\lambda \rho^n$ , where  $0 < \rho < 1$ .

**Proof.** For feasibility, we require  $0 < \rho < 1$ , which implies  $\lambda \in (0, \ln(\frac{\rho}{1-\rho}))$ . Since  $\tau$  is a stopping time, so is  $n \wedge \tau$ . Thus  $\{M_{n \wedge \tau}\}$  is also a super-martingale. Therefore by  $h_0 = 0$  we have:

$$\begin{aligned} 1 = e^{\lambda h_0} = M_0 &\geq \mathbb{E}[M_{n \wedge \tau} | \mathcal{F}_0^0] \\ &\geq \mathbb{E}[M_{n \wedge \tau}; \tau > n | \mathcal{F}_0^0] \mathbb{P}[\tau > n] \\ &= \mathbb{E}[e^{\lambda h_{n \wedge \tau}} / \rho^{n \wedge \tau}; \tau > n | \mathcal{F}_0^0] \mathbb{P}[\tau > n] \\ &\geq \mathbb{E}[e^{\lambda h_n} / \rho^n; \tau > n | \mathcal{F}_0^0] \mathbb{P}[\tau > n] \\ &\geq e^{\lambda(-1)} \rho^{-n} \mathbb{P}[\tau > n], \text{ since } h_n > -1 \text{ when } \tau > n \\ &\Rightarrow \mathbb{P}[\tau > n] \leq e^\lambda \rho^n \end{aligned}$$

□

The above bound is a function of  $n$ , the agent index, the dummy variable  $\lambda$ , and the two MGFs  $f_1, f_2$ . Our objective is to choose  $\lambda$  and  $\rho$  which minimize this bound. We solve this numerically and compare the minimum bound with the tail-probability obtained using Monte-Carlo simulation for different values of  $p$  and  $\delta$ .



**Figure 5:** Tail-probability of time until  $N$  cascade,  $p = 0.70$ .

Fig. 5 shows that both simulation results and numerical bounds are decreasing as  $\delta$  increases. Moreover, the higher value  $\delta$  is, the faster the rate at which simulation and numerical results converge.

## V. CONCLUSIONS AND FUTURE WORK

This paper studied a simple observational Bayesian learning model with information cascade. We assumed that subsequent agents can observe perfectly the previous actions and, in addition, feedback in the form of reviews depending on the actions. We showed that the reviews could increase the probability that agents misinterpret the true value of a good product. In practice, in online platforms like Yelp, Amazon, etc. customers reviews come with a variability of strengths. Even though this scenario was not considered in this paper, our results indirectly implied that a platform planner should opt to cut out the reviews of bad qualities and release only the truthful ones. In fact, this strategy is already adopted by those platforms, e.g. Amazon with verified purchase reviews, or Yelp with filtered reviews. Moreover, our results suggested that no matter how strong the reviews are improved to, agents might not perform better if their prior knowledge are limited. This implied that a platform planner should consider spending their budget on improving both the product's marketing efficiency and the reviews' reliability.

In the future work, we plan to study the possibility of having reviews with strengths non-homogeneously distributed across the population. Another possible direction is by considering having reviews when both type of actions are taken, where agents have the option to leave the reviews and assuming that not all agents would exercise this option.

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